

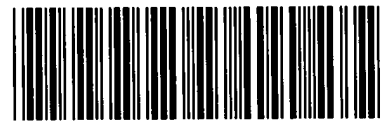
A2D FUNDING II PLC

**STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR END 31 MARCH 2021

REGISTERED NUMBER: 09136166

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A2D FUNDING II PLC

REGISTERED NUMBER: 09136166

COMPANY INFORMATION

Directors

L.D.C. Corporate Director No. 3 Limited
L.D.C. Corporate Director No. 4 Limited
M.H. Filer

Secretary

Law Debenture Corporate Services Limited

Registered Office

8th Floor
100 Bishopsgate
London EC2N 4AG

Registered Number

09136166

Auditor

BDO LLP
55 Baker Street
London W1U 7EU

STRATEGIC REPORT

The directors present their strategic report for A2D Funding II plc (the "Company") for the year ended 31 March 2021.

Activity, Objective, Business Model and Review of the Year

The Company was incorporated in England and Wales on 17 July 2014 as a public limited company. It is a special purpose company established for the purpose of issuing retail bonds on the London Stock Exchange (including further retail bonds issued in accordance with the Conditions) and lending the proceeds thereof to A2Dominion Housing Group Limited or one or more of its subsidiaries ("A2Dominion"). The Company has the benefit of a financial guarantee from A2Dominion for the full and punctual payment of interest and principal of bonds.

On the 30 September 2014 the Company issued £150,000,000 bonds, listed on the London Stock Exchange. The proceeds of the issue were loaned to A2Dominion. Both the bonds and the loan to A2Dominion bear interest at a fixed rate of 4.50% payable semi-annually in March and September. The loan was issued net of transaction costs of £784,573 which are amortised through the statement of comprehensive income over the loan term as deferred income. The loan and the bonds are due for repayment on 30 September 2026.

Results

The Company's profit after tax for the year was £2k (2020: £1k) and the directors do not recommend the payment of a dividend.

The Company had net equity shareholders' funds of £23k (2020: £21k) at the year end.

Performance and position of the business

Financial KPIs - The key performance indicators of the business are considered to be the payment and receipt of interest. The loan receivable and payable balances are matched and interest receivable and payable are broadly matched as they are both at the same fixed rate.

The directors have monitored the actual receipts and payments of interest to and from the Company through the bank statements to ensure these obligations are met. The directors believe that all conditions of the transaction documents have been met.

Non-financial KPIs – as the purpose of the business is entirely finance related, the directors are of the view that there are no meaningful non-financial KPIs that could be adopted.

Principal Risk and Uncertainty

The principal risk and uncertainty for the Company is primarily credit rate risk as described more fully in Note 9. This includes the full and timely receipt of interest and principal on the loan due from A2Dominion. During the current and prior period, all such amounts were paid on their due dates.

The directors have considered the nature and structure of the Company and are satisfied that there is sufficient capital in relation to the business activities of the Company and levels of planned financial performance to continue to operate. Shareholders' funds at the year end were in a surplus of £23k (2020: £21k).

Future Developments

The directors consider the financial position of the Company to be satisfactory and that the Company will continue to operate in its principal activities.

Section 172(1) of the companies Act 2006

As a special purpose vehicle the governance structure of the Company is such that the key policies have been predetermined at the time the Company issued the bonds which are listed on the London Stock Exchange. The Directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

- a) the transaction documents, which cannot be changed without bondholder consent, have been formulated to achieve the Company's purpose and business objectives, safeguard the assets and promote the success of the Company with a long term view and as disclosed in note 1;
- b) the transaction documents only allow the Company to retain a minimal profit and due to the limited recourse nature of the structure, the returns to bond holders are limited by the cashflows received;
- c) the Company has no employees;
- d) the Company is a securitisation vehicle and therefore a key stakeholder are the bondholders. The transaction documents determine the nature and quality of assets that can be securitized and how the cash flows from securitised assets are distributed. Relationships are also fostered with suppliers and others via professional third parties who have been assigned operational roles with their roles strictly governed by the transaction documents and fee arrangements agreed in advance. The Company has no customers;
- e) as a securitisation vehicle the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment;
- f) the Company maintains a reputation for high standards of business conduct via professional third parties who have contracted with the Company to provide specific operational roles. Fee arrangements have been agreed in advance and supplier invoices paid strictly in accordance with the transaction documents including a priority of payments, if applicable; and
- g) the Company has a sole member The Law Debenture Intermediary Corporation and entire issued share capital on a discretionary trust basis for the benefit of certain charities.

By order of the Board



Mark Filer
Director
29 July 2021

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2021. The Company is a special purpose company established to issue retail bonds on the London Stock Exchange and lend the proceeds thereof to A2Dominion Housing Group Limited or one or more of its subsidiaries ("A2Dominion"). The loan and the bonds are due for repayment on 26 September 2026.

The directors have considered the annual report and financial statements to be fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Directors

The directors of the Company who held office during the year and up to the date of this report were:

L.D.C. Corporate Director No. 3 Limited
L.D.C. Corporate Director No. 4 Limited
M.H. Filer

The directors are not subject to retirement by rotation.

Directors' Interests

The directors have no interests in any shares in the Company or its ultimate controlling party.

Going Concern

The Company's going concern depends on the going concern of its controlling party and guarantor, A2Dominion Housing Group Limited, and therefore the financial modelling of this entity is used to assess the going concern of the Company. The financial forecast of A2Dominion Housing Group Limited includes underlying assumptions of reduced rent collection levels and delays/reductions in sales of properties. The directors consider that the Company has adequate capital and liquid resources, an appropriate business model and financial structure and suitable arrangements in place for it to be able to continue in operational existence for the foreseeable future. Therefore the directors believe it appropriate for the financial statements to be prepared on a going concern basis.

Financial Instruments and Borrowings

The Company is party to an agreement which raised finance through a fixed rate retail bond issue, the proceeds of which were advanced to A2Dominion Treasury Limited.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times. The rate on the loan to A2Dominion, matches the interest rate on the retail bonds exactly, therefore there is no interest rate risk to the Company.

Credit risk

Credit risk is the risk that the borrower will not be able to repay its loan. Although A2Dominion is the only client of the Company, they managed to meet all their obligations on the loan during the year. Based on the performance of the loan during the year as well as the existence of the financial guarantee, the directors believe that A2Dominion will be able to fulfil their obligations as they fall due. Please also see Note 1 for detail going concern.

A discussion of the Company's risks with regard to financial instruments can be found in Note 9.

The Company does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities.

Directors' Indemnities

Adequate third party indemnity provisions for the benefit of the directors were in place during the year and remain in force at the date of this report.

DIRECTORS' REPORT (CONTINUED)**Statement of Disclosure to Auditor**

In so far as the directors are aware there is no relevant audit information of which the Company's auditor is unaware. The directors have taken all steps that they ought to have taken, as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Financial Reporting, Risk and Internal Controls

The Company has outsourced the financial reporting function to Law Debenture Corporate Services Limited.

Corporate Governance and Audit Committee

Due to the Company's limited scope and nature of its activities, the Company's Board is itself responsible for all aspects of the Company's corporate governance. The Company does not, therefore, have a separate audit committee.

The directors have been charged with governance in accordance with the transaction documents describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been issued on the London Stock Exchange, the directors are satisfied that there is no requirement to publish a corporate governance statement as the Company is exempt from the disclosure requirements of the provisions of the UK Corporate Governance Code.

Auditors

The auditors, BDO LLP, have expressed their willingness to continue in office and a resolution to support them will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

By order of the Board



Mark Filer
Director
29 July 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm, to the best of their knowledge:

- the financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the annual report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that it faces.

The names and functions of all the directors are stated on page 5.

Independent auditor's report to the members of A2D Funding II Plc**Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its profit for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of A2D Funding II Plc (the 'Company') for the year ended 31 March 2021 which comprise the statement of comprehensive income, the statement of changes in equity, the statement of financial position, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard in the United Kingdom and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Board.

Independence

Following the recommendation of the Board, we were appointed in December 2015 to audit the financial statements for the period from 17 July 2014 to 30 September 2015 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 7 years, covering the period 17 July 2014 to 31 March 2021. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Significant judgement is made by management in determining the impact on the Company's available funds to meet its bond liabilities following the pandemic's adverse effect on the loan borrower's activities and the strength of its cash flows. This is further heightened by the current economic impacts of the Covid-19 pandemic and as a result we concluded that going concern was a significant risk and a Key Audit Matter. Going concern is also discussed in Note 1.

Independent auditor's report to the members of A2D Funding II Plc (continued)

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- Reviewing management's assessment of going concern and challenging the relevant assumptions made, through agreement of assumptions such as CPI and LIBOR forecasts to independent external sources.
- Examining management's future cash flow forecasts that took into account the impact of COVID-19 and estimated the likely impact on 2021/2022 revenues, through re-calculation of impact of collection levels on income and assessing the impact of COVID-19.
- Recalculating management's assessment of ongoing costs until the end of December 2022, based on the forecasts provided, and assessing whether these were reasonable.
- Reviewing the entity's liquid cash reserves and the extent to which it will be able to meet its bond liabilities and covenants set out in the bond prospectus.
- Reviewing the adequacy of the disclosures as included in the Strategic Report and Note 1 of the financial statements to check compliance with standards and consistency with managements going concern assessment.
- Performing a reverse stress test and sensitivity analysis.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

	2021	2020	
Key audit matters	Recoverability of the loan receivable	✓	✓
	Going concern	✓	✓
Materiality	Financial statements as a whole		
	£2,694,000 (2020: £2,692,000) based on 1.8% of total assets (2020: 1.8% of total assets)		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Independent auditor's report to the members of A2D Funding II Plc (continued)*Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. In addition to the matter described in the Conclusions related to going concern section of our report, we have determined the matter below to be the key audit matter to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Recoverability of the loan receivable (Note 9)</p>	<p>In accordance with applicable accounting standards, the loan receivable is initially recognised at fair value and then carried at amortised cost.</p> <p>Recoverability of the loan receivable is considered a significant risk and key audit matter because of its material nature and the complexity of the underlying calculations.</p> <p>We have reviewed significant assumptions and judgements made in relation to impairment and the present value of future cash flows, specifically financial information, guarantees from the borrower and industry information.</p> <p>Our macroeconomic analysis took place with reference to relevant external economic and market data, specifically the housing development market and inflation.</p> <p>We examined post balance sheet events to identify whether the impairment assessment assumptions remain valid.</p> <p>We challenged the assumptions and judgements made with regard to the economic consequences of COVID-19 on the borrower's ability to continue servicing and repaying the loan asset.</p> <p>As part of our procedures, we challenged management's impairment assessment by examining the financial performance of the borrower in addition to inspecting the external credit rating of the borrower.</p> <p>Key observations:</p> <p>Based on the work done we consider that the judgements and assumptions made in considering the recoverability of the loan receivable are reasonable.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the

Independent auditor's report to the members of A2D Funding II Plc (continued)

nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	2021 £	2020 £
Materiality	2,694,000	2,692,000
Basis for determining materiality	1.8% of total assets	
Rationale for the benchmark applied	The Company is an asset based company, where the value of the Company's main asset is the loan balance which determines the ability of the company to generate the income and attract the required funding to service the loan notes. Therefore this has been identified as a key metric for users of the financial statements.	
Performance materiality	2,020,000	2,019,000
Basis for determining performance materiality	75% of Materiality This was determined based on our consideration of the Company's overall control environment and consideration of the number of historical misstatements.	

Specific materiality

Whilst the majority of long term returns are expected to arise from the realisation of the mortgage loans, we note that ongoing costs and revenue returns are still important to users of the financial statements, despite being considerably smaller in magnitude. Thus, we have set a lower specific materiality for those items impacting the statement of comprehensive income of £122,000 (2020: £121,000) which is based on 1.8% (2020: 1.8%) of interest receivable.

Reporting threshold

We agreed with the Board that we would report to them all individual audit differences in excess of £53,000 (2020: £53,000). For specific materiality this was set at £2,000 (2020: £2,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the strategic report, directors' report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of A2D Funding II Plc (continued)**Other Companies Act 2006 reporting**

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or certain disclosures of Directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Independent auditor's report to the members of A2D Funding II Plc (continued)

- We obtained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates and considered the significant laws and regulations to be the applicable accounting framework, Companies Act 2006, listing rules per the London Stock Exchange and The Taxation of Securitisation Companies Regulations 2006.
- We enquired with the board, to identify how the Company is complying with those laws and regulations and whether there were any known instances of non-compliance, or any actual, suspected or alleged fraud.
- We corroborated our enquiries through review of board minutes as well as review of relevant regulatory compliance information and correspondence.
- We assessed the susceptibility of the financial statements to material misstatement, including fraud and evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. To address possible inappropriate journal entries, we investigated the business rationale of any significant transactions that were unusual or outside the normal course of business as part of our response to the risk of management override of controls. We have challenged assumptions made by management in their significant accounting estimates, particularly in relation to estimation of the future cash flows on the mortgage loan as described further in the key audit matters section.
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and discussed how and where these might occur and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:



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Daniel Taylor (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London

UK

29 July 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

A2D FUNDING II PLC
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2021

REGISTERED NUMBER: 09136166

	Note	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Interest receivable and similar income		6,817	6,752
Interest payable and similar charges		(6,815)	(6,750)
Gross profit		2	2
Other operating income		55	47
Administrative expenses		(55)	(48)
Profit on ordinary activities before taxation	3	2	1
Taxation	4	-	-
Profit for the period		2	1

There are no other comprehensive income items other than the result for the period stated above. Accordingly, no statement of other comprehensive income is given.

The above amounts relate exclusively to continuing operations.

The notes on pages 18 to 24 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

	Note	2021 £000	2020 £000
Non current assets			
Loans and receivables	5	149,587	149,523
Current assets			
Debtors: Amounts falling due within one year	6	36	32
Cash at bank		45	45
		81	77
Current liabilities: Amounts falling due within one year	7	(58)	(56)
Net current assets		23	21
Total assets less current liabilities		149,610	149,544
Non current liabilities: Amounts falling due after more than one year	8	(149,587)	(149,523)
Net assets		23	21
Capital and reserves			
Called up share capital	10	13	13
Profit and loss account		10	8
Shareholders' funds		23	21

The notes on pages 18 to 24 form part of these financial statements.

Approved and authorised for issue by the directors on 29 July 2021 and signed on the Company's behalf by:



Mark Filer
 Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2021

	Called up Share capital	Profit and Loss account	Total
	£000	£000	£000
Total equity as at 31 March 2019	13	7	20
Profit for the period	-	1	1
Total equity as at 31 March 2020	13	8	21
Profit for the year	-	2	2
Total equity as at 31 March 2021	13	10	23

The notes on pages 18 to 24 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 March 2021

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Operating activities		
Profit on ordinary activities before taxation	2	1
Interest received	6,750	6,750
Interest paid	(6,750)	(6,750)
(Increase)/decrease in debtors	(4)	2
Increase in creditors	2	-
Cash flow from operating activities	-	3
Cash flow from investing activities	-	-
Cash flow from financing activities	-	-
Net increase in cash and cash equivalents	-	3
Cash and cash equivalents at beginning of the year	45	42
Cash and cash equivalents at end of year	45	45

The notes on pages 18 to 24 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Background**

The Company is a public limited company with its registered office at 8th floor, 100 Bishopsgate EC2N 4AG.

Basis of preparation

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. The modified Companies Act format has been used for the financial statements due to the special nature of the entity.

Going concern

The COVID-19 pandemic, emerging in March 2020, continues to pose a potential threat to the business. The pandemic has caused significant volatility and declines in global financial markets, although the effects of these specifically to the UK have been somewhat diluted in 2021 by continued government support (furlough scheme, mortgage payment holidays) and a successful vaccine rollout. While macroeconomic conditions may affect the Company in general, the Company does not currently anticipate any material effect on income. The Company is monitoring the evolving situation closely and will continue to evaluate its potential exposure, however it should be noted that despite being over a year into the pandemic the Company has still not seen any material impact on income or the continuing repayment of principal and interest. The extent of the impact to the financial performance will still depend on future developments, including restrictions, the effects on the financial markets, and the effects on the economy overall, all of which are highly uncertain and cannot be predicted.

In the opinion of the directors, the Company's going concern depends on the going concern of A2Dominion Housing Group Limited, a controlling party and the Guarantor of the Company. As part of the Board of A2Dominion Housing Group Limited's going concern assessment, the potential assumptions to be modelled within the financial forecast and its implications on the Group and its subsidiaries (including A2D II Funding Plc) were considered, reviewed and approved by the board. These assumptions included a delay and a reduction in rent collection levels, and where relevant delays and reductions in sales of properties.

The results of the worst case indicated that the Group could sustain the impact of significant prudent assumptions and is able to continue to operate, with adequate cash resources available and comply with all banking covenants. Mitigating actions which could be taken at the Group's discretion should the impact exceed the worst case scenario were explored and include property disposals, delaying uncommitted expenditure and reviewing costs with a view to achieving further savings.

The financial forecast of A2Dominion Housing Group Limited (the Company's Guarantor) indicates even a worst case scenario would allow for all banking covenants to be complied with. The directors of A2D Funding II Plc therefore consider that the Company has adequate resources, an appropriate financial structure and suitable arrangements in place for it to continue in operational existence for the foreseeable future and therefore believe it appropriate for the financial statements to be prepared on the going concern basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional and presentational currency

The financial statements are presented in pound sterling, which is the Company's functional and presentational currency.

Income recognition

The Company's principal source of income is interest receivable. The directors consider it would be misleading to classify this source as turnover and have therefore classified it as interest receivable. All income derives from the Company's principal activity, wholly within the UK, and is accounted for on an accruals basis. Please see the below policy of Deferred income and finance costs for further details. Interest income and expenses are considered operating cash flows in the cash flow statement.

Other operating income

Other operating income, which comprises amounts received from the borrower to finance professional fees incurred in the period and subsequent administration costs of the Company, is accounted for on an accruals basis.

Administrative expenses

All administrative expenses, which comprise primarily professional fees and other overheads, are accounted for on an accruals basis.

Taxation

The Company is taxed under the permanent regime of taxation for securitisation companies. As a result the Company will be subject to tax on its 'issuer profits' as determined in the securitisation documents.

Financial assets

The Company has applied the recognition and measurement requirements of IAS 39 as permitted under of Section 11 and 12 of FRS 102. Accordingly the loan to A2Dominion is classified as loans and receivables and is initially recognised at fair value and then carried at amortised cost.

Financial liabilities

The Company has applied the recognition and measurement requirements to IAS 39 as permitted under Section 11 and 12 of FRS 102. Accordingly the retail bonds issued are also initially recognised at fair value and subsequently measured at amortised cost.

Deferred income/Finance costs

The costs of issuing the bond amounted to £784,573. These costs are amortised at Effective Interest Rate ("EIR") through the statement of comprehensive income over the life of the loan/bond and are classified as deferred income or finance costs respectively. The EIR is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the loan/bond, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Critical accounting judgements*

There are no critical accounting judgements.

Key sources of estimation uncertainty

The key source of estimation uncertainty is in relation to impairment of assets. The key assumptions included in the measurement of impairment are the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. These assumptions are based on observed historical data as well as the financial guarantee in place, and are updated as management considers appropriate to reflect current conditions, including COVID 19. The accuracy of the impairment provision would therefore be affected by unexpected changes in these assumptions.

2. EMPLOYEE INFORMATION AND DIRECTORS' EMOLUMENTS

There were no employees in the Company during the year (2020: nil).

The directors received no emoluments in respect of their services to the Company during the year (2020: nil).

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The following amounts have been included in arriving at the result on ordinary activities before taxation.

	Year ended 31 March 2021	Year ended 31 March 2020
	£000	£000
Auditor's remuneration for audit of the Company's annual financial statements	25	24
	<u>25</u>	<u>24</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (Continued)

4. TAXATION

(a) Analysis of charge in the period	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000

Current tax:

Corporation tax charge for the period	-	-
Total taxation charge for the period	-	-

(b) Factors affecting the tax charge for the current period

The current tax for the year is the same as the standard rate of corporation tax in the UK of 19% (2020:19%).

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Profit on ordinary activities	2	1
Corporation tax levied at the standard rate of corporation tax in the UK of 19% (2020:19%)	-	-
	-	-
Total current tax charge for the period	-	-

The Company is taxed under the permanent regime of taxation of securitisation companies. As a result the Company will be subject to tax on its 'retained profits' as determined in the securitisation documents.

5. NON CURRENT ASSETS: LOANS AND RECEIVABLES

	2021 £000	2020 £000
Loan to A2Dominion (see Note 9)	150,000	150,000
Deferred finance income	(413)	(477)
	149,587	149,523

6. DEBTORS: amounts falling due within one year

	2021 £000	2020 £000
Accrued income	25	22
Prepayments	11	10
	36	32

7. CURRENT LIABILITIES: amounts falling due within one year

	2021 £000	2020 £000
Accruals and deferred income	58	56
HMRC creditor for corporation tax	-	-
	58	56

8. NON CURRENT LIABILITIES: amounts falling due after more than one year

	2021	2020
	£000	£000
Retail bonds (due September 2026) (see Note 9)	150,000	150,000
Finance costs	(413)	(477)
	<u>149,587</u>	<u>149,523</u>

9. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise borrowings, loan receivable and cash to provide finance for its operations.

The Company granted a loan to A2Dominion of £150,000,000 which was financed by a bond issue. The loan and the bond bear interest at a fixed rate of 4.50% payable semi-annually in March and September. The costs of issuing the bond amounted to £784,573. These costs are amortised over the loan and bond term as deferred income and finance costs respectively, using the effective interest rate (EIR) of approximately 4.56%. The principal is due for repayment on 30 September 2026. The Company has the benefit of a financial guarantee from A2Dominion Housing Group Limited for the due and punctual payment of interest and principal.

The Company does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities.

A description of the principal risks relating to financial instruments and their relevance to the Company and how they are managed is given below.

Credit risk

Credit risk is the risk that the borrower will not be able to repay its loan. Although A2Dominion is the only client of the Company, they managed to meet all their obligations on the loan during the year. Based on the performance of the loan during the year as well as the existence of the financial guarantee, the directors believe that A2Dominion will be able to fulfil their obligations as they fall due. Please also see note 1 for detail going concern.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times. The rate on the loan to A2Dominion, matches the interest rate on the retail bonds exactly therefore there is no interest rate risk to the Company.

Liquidity risk

Liquidity risk is the risk that the Company will default on its obligations to its creditors. Repayment of the interest and principal on the loan to A2Dominion matches exactly the interest payment dates and repayment of the retail bonds payable. In the event of a delay or default in the payment of interest by the borrower, the terms of the fixed rate retail bond make it clear that the Company is only obligated to pay interest and capital to retail bond holders to the extent that amounts have been received from A2Dominion.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (Continued)

9. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk (continued)

31 March 2021	Less than 1 year £000	1-2 years £000	2- 5 years £000	5 years and over £000	Total 2021 £000
Loan to A2Dominion	-	-	-	150,000	150,000
Interest received	6,750	6,750	20,250	3,375	37,125
Total financial assets	6,750	6,750	20,250	153,375	187,125
Retail bonds	-	-	-	150,000	150,000
Interest payable	6,750	6,750	20,250	3,375	37,125
Total financial liabilities	6,750	6,750	20,250	153,375	187,125

31 March 2020	Less than 1 year £000	1-2 years £000	2- 5 years £000	5 years and over £000	Total 2019 £000
Loan to A2Dominion	-	-	-	150,000	150,000
Interest received	6,750	6,750	20,250	10,125	43,875
Total financial assets	6,750	6,750	20,250	160,125	193,875
Retail bonds	-	-	-	150,000	150,000
Interest payable	6,750	6,750	20,250	10,125	43,875
Total financial liabilities	6,750	6,750	20,250	160,125	193,875

Capital Management

The Company has no externally imposed capital requirements other than a minimum share capital of £50,000 as required by the Company's Act 2006 (of which £12,500 has been paid up). This has been set up for the sole purposes of financing of the loan to A2Dominion.

10. SHARE CAPITAL

	2021 £000	2020 £000
As at 31 March	13	13

The Company issued 50,000 ordinary £1 shares, each a quarter paid, on the 17 July 2014, consideration for which was £12,500.

The capital of the Company comprises share capital and retained earnings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (Continued)

11. ULTIMATE PARENT AND THE CONTROLLING PARTY

Under the Trust Deed dated 17 July 2014, The Law Debenture Intermediary Corporation p.l.c. acts as share trustee, holding the member's rights on a discretionary basis for charitable purposes. In the opinion of the directors, A2Dominion Housing Group Limited is the controlling party and A2D Funding plc's results are included in the consolidated A2Dominion Housing Group's financial statements. Copies of these can be obtained from A2Dominion Housing Group Limited, The Point, 37 North Wharf Road, London, W2 1BD.

12. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under section 33 of FRS102, not to disclose transactions with other wholly owned group companies consolidated by A2Dominion Housing Group Limited.

Under the terms of a corporate services agreement entered into by the Company at arm's length, Law Debenture Corporate Services Limited is contracted to provide certain corporate services including a registered office, corporate administration and directors amongst other services for which it charges a corporate service fee. The amount charged for these services during the year was £25k (2020:£25k) and the amount prepaid at year end was £11k (2020:£10k).

13. Net Debt Reconciliation

	2021	2020
A reconciliation of net debt is shown below:	£000	£000
Interest bearing liabilities	150,000	150,000
Deduct: cash as reported in financial statements	<u>(45)</u>	<u>(45)</u>
Net debt: borrowings less cash	149,955	149,955
Add: Accrued interest	<u>-</u>	<u>-</u>
Net debt	<u>149,955</u>	<u>149,955</u>

14. Events after the reporting date

There have been no events of note following the reporting date.